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CITY OF PHOENIX AVIATION DEPARTMENT

WRITTEN STATEMENT

OF

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PHOENIX SKY HARBOR INTERNATIONAL AIRPORT

ON

“PREPARE FOR TAKEOFF: AMERICA’S SAFE RETURN TO AIR TRAVEL”

BEFORE THE SENATE COMMERCE, SCIENCE, AND
TRANSPORTATION COMMITTEE’S
AVIATION SAFETY, OPERATIONS AND INNOVATION SUBCOMMITTEE
APRIL 21, 2021

Chair Cantwell, Ranking Member Wicker, Chair Sinema, Ranking Member Cruz, and members of the Subcommittee, good afternoon.

I am Charlene Reynolds, Assistant Aviation Director for the City of Phoenix. I oversee the business operations of Phoenix Sky Harbor International Airport, Phoenix Deer Valley Airport, and Phoenix Goodyear Airport. I also served as Acting Director of Aviation Services for the City of Phoenix from November 2020 through March of this year.

As you have heard from many in our industry, the past 13 months have negatively impacted airports like no other event in the history of aviation. Prior to the pandemic, Phoenix Sky Harbor International Airport ended 2019 with a record 46 million passengers. We were on our way to another record in 2020 when the COVID-19 pandemic began. As a result, in calendar year 2020, our total passenger numbers were down 53% compared to 2019. The airports' non-aeronautical revenue declined by 36%.

Since airports like Phoenix Sky Harbor are self-sustaining enterprises and rely on the revenue that they generate to fund operations and capital projects, steep budget cuts were needed. We reduced our annual operating budget by \$30 million and deferred 80% or \$800 million worth of construction projects.

We are grateful to Congress, and specifically members of this Subcommittee for your efforts in sending much-needed Federal relief funds to airports such as Phoenix Sky Harbor. The \$148 million the City of Phoenix Aviation Department received in CARES Act funding allowed us to cover debt service payments, as revenues were heavily impacted by passenger reductions. Using these funds to meet debt obligations helped us maintain investment grade bond ratings and will keep the door open to future construction financings once we emerge from the pandemic. CARES money is also being used for operating expenses, which allows the airport to keep costs affordable for our airline partners while providing enhanced cleanings of terminal facilities. We look forward to the additional significant relief that the Coronavirus Response and Relief Supplemental Appropriation (CRSSA) and American Rescue Plan will bring.

Federal COVID-19 relief funding has not only helped the City of Phoenix Aviation department weather the pandemic, it has also assisted us in providing relief to our concessionaires. Under the guidance of Phoenix Mayor Kate Gallego and the Phoenix City Council, Phoenix was able to offer our business partners three rounds of rent relief beginning in April 2019 and continuing to December 2021. Rent relief provides temporary abatement from

paying the “Minimal Annual Guarantee” rents which are common in the airport industry, replacing them with percentage rents based on actual sales. In FY2020, the airport provided \$34.7 million in relief to its business partners and has provided over \$16 million to date in 2021.

The City prides itself in providing opportunities for local and small businesses. At Phoenix Sky Harbor, 30% of the concession operators are local and small business owners. To help these businesses survive the loss of business created by the pandemic, the Phoenix City Council approved a three-term extension enabling our 25 Airport Concessions Disadvantaged Business Enterprises to refinance their existing loans, some of which were secured by their personal residences.

International travel is still severely impacted by the COVID-19 pandemic. Prior to the pandemic, Phoenix Sky Harbor averaged 52 international flights daily. Today, an average of 32 international flights arrive or depart from our Airport each day. Mexico currently accounts for 97% of Phoenix Sky Harbor’s current international traffic, with Canada accounting for the remaining three percent. Prior to the pandemic, 38% of Sky Harbor’s international traffic served Canada, 51% served Mexico, and Phoenix Sky Harbor offered nonstop service to London and Frankfurt. Business travel continues to be greatly reduced. The airport’s food, beverage, retail and rental car partners rely heavily on business travelers as they spend significantly more than leisure travelers within the terminals. To put this in context, the airport’s shoeshine concessionaire operated by an Airport Concessionaire Disadvantaged Business Enterprise closed its operations permanently, as 90% of its customers were business travelers. In notifying the Airport of the closure, the concessionaire stated the loss of travelers forced him out of business and asked for the prompt return of his Performance Bond in order to save his home from going into foreclosure.

While Phoenix Sky Harbor ended 2020 with passenger numbers reduced by more than 50 percent, the Airport has seen significant increases during spring break. However, recent forecasts by rating agencies predict that most airports will not consistently return to pre-pandemic traffic levels until 2024.

We are proud to say that all three Phoenix-owned airports have received Global Biorisk Advisory Council® (GBAC) STAR™ accreditation – the gold standard for cleaning and outbreak prevention. In addition, the City of Phoenix Aviation Department is working with local health officials to host events this month offering free on-site COVID-19 vaccinations to the tens

of thousands of essential employees who work at our City's airports. Phoenix Sky Harbor sanitizes with both high-tech systems and increased custodial vigilance. We enforce the Federal mask requirement, and work hard to encourage physical distancing. But as passengers return to 2019 numbers, facilities that were built for pre-pandemic conditions present a challenge in this new environment.

As you know, airports such as Phoenix Sky Harbor have urgent infrastructure needs. Looking forward, it is imperative that any future infrastructure package includes additional airport investment. Additional AIP funding and money for terminal renovations in President Biden's American Jobs Plan would provide significant benefit to all three City of Phoenix owned airports. Phoenix Deer Valley, the busiest general aviation airport in the U.S.; Phoenix Goodyear; and Phoenix Sky Harbor all have shovel-worthy airfield projects waiting for funding. And as the nation emerges from the COVID-19 pandemic, additional money for terminal renovations would assist us in making modifications to provide for additional physical distancing and deploy touchless technology within our terminals to enhance the customer experience. Funding for terminal renovations would also help us pay for upgrades, such as the installation of vertical circulation systems and electrostatic cleaning equipment in our busiest terminal, Terminal 4.

In addition to AIP, another method of funding new capital projects is the Passenger Facility Charge (PFC), a local user fee that may be used for specific projects which are approved by the Federal Aviation Administration (FAA) in consultation with the airlines. The \$4.50 PFC cap has not been raised in more than 20 years and has not kept pace with rising construction costs and inflation. Modernizing this outdated PFC limitation would provide airports like Phoenix Sky Harbor funding to invest in the facilities needed to attract new airlines and allow existing air carriers to expand.

Phoenix Sky Harbor International Airport is the largest economic engine in the state of Arizona, and in the center of one of the fastest growing cities in the country. We understand that a strong, well-run, and well-maintained airport is essential to a thriving economy, and we take that responsibility very seriously.

Thank you for inviting me to speak. We are grateful to Chairwoman Sinema for your continued support of Phoenix Sky Harbor, America's Friendliest Airport. Thank you.